

No. 11/2007

SUPPLEMENT
TO THE
REPUBLIC OF SINGAPORE
GOVERNMENT GAZETTE
FRIDAY, 22ND JUNE 2007

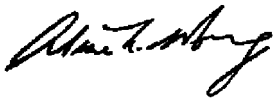
REPORT ON THE AUDIT OF
THE FINANCIAL STATEMENTS OF
THE HOUSING AND DEVELOPMENT BOARD
FOR THE YEAR ENDED 31ST MARCH 2007

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HOUSING AND DEVELOPMENT BOARD**STATEMENT BY THE BOARD
FOR THE YEAR ENDED 31 MARCH 2007**

In our opinion, the accompanying balance sheets of the Group and the Housing and Development Board (HDB) as at 31 March 2007, income and expenditure statements and statements of changes in capital and reserves of the Group and the HDB and the cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes as set up on pages 4 to 47 are drawn up so as to give a true and fair view of the state of affairs of the Group and the HDB as at 31 March 2007, the results and changes in capital and reserves of the Group and the HDB, and changes in cash flows of the Group for the year ended on that date.

On Behalf of the Board



ALINE WONG
Chairman



JAMES KOH CHER SIANG
Deputy Chairman

23 May 2007

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS
OF THE HOUSING AND DEVELOPMENT BOARD
FOR THE YEAR ENDED 31 MARCH 2007**

The accompanying financial statements of the Housing and Development Board (HDB) and its subsidiaries, set out on pages 4 to 47 have been audited under my directions and in accordance with the provisions of the Housing and Development Act (Cap. 129, 2004 Revised Edition) [“the Act”]. These financial statements comprise the balance sheets of the Group and the HDB as at 31 March 2007, the income and expenditure statements and statements of changes in capital and reserves of the Group and the HDB, and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board Members’ responsibility for the financial statements

The Board Members of the HDB are responsible for the preparation and fair presentation of these financial statements in accordance with the Act and Singapore Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibility

My responsibility is to express an opinion on these financial statements based on the audit. The audit was conducted in accordance with the Act and Singapore Standards on Auditing. Those standards require that ethical requirements be complied with, and that the audit be planned and performed to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the entity’s management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion,

- (a) these financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the HDB as at 31 March 2007, and the results and changes in capital and reserves of the Group and of the HDB, and the cash flows of the Group for the year ended on that date;
- (b) proper accounting and other records have been kept, including records of all assets of the HDB whether purchased, donated or otherwise; and
- (c) the receipts, expenditure and investment of moneys and the acquisition and disposal of assets by the HDB during the financial year have been in accordance with the provisions of the Act and the Constitution.

Emphasis of matter

Without qualifying my opinion I draw attention to Note 2.9 to the financial statements. The Board did not carry out impairment review for rental flats and car parks as according to the HDB, these properties are for the provision of social services and amenities to the public.



TEO CHEE KHIANG
ACTING AUDITOR-GENERAL
SINGAPORE

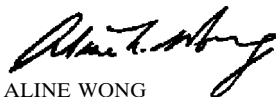
30 May 2007

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

BALANCE SHEETS AS AT 31 MARCH 2007

		<i>HDB</i>		<i>Group</i>	
		<i>2006/2007</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2005/2006</i>
	<i>Note</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
CAPITAL AND RESERVES					
Capital account		2,463,628	2,463,681	2,468,128	2,468,181
Capital gains reserve		5,736,308	5,640,176	5,736,308	5,640,176
Asset revaluation reserve		6,019,488	6,144,743	6,019,488	6,144,743
Foreign currency translation reserve		—	—	(19)	(24)
Fair value reserve		—	—	6,371	4,179
Retained earnings		—	—	68,742	86,014
		14,219,424	14,248,600	14,299,018	14,343,269
MINORITY INTERESTS					
		—	—	27,132	32,156
TOTAL EQUITY					
		14,219,424	14,248,600	14,326,150	14,375,425
NON-CURRENT ASSETS					
Property, plant and equipment	3	14,753,469	14,986,488	14,759,372	14,992,374
Investment properties	4	4,822,247	4,925,306	4,840,404	4,940,531
Loans receivable	5	49,451,350	51,883,558	49,451,609	51,883,920
Investments in subsidiary	6	1,500	1,500	—	—
Investments in associates	7	—	—	497	581
Other investments	8	—	—	57,182	69,504
Deferred tax asset	9	—	—	2,090	3,186
		69,028,566	71,796,852	69,111,154	71,890,096
CURRENT ASSETS					
Properties under development	10	2,635,589	2,024,734	2,635,589	2,024,734
Properties for sale	11	1,742,768	2,254,917	1,742,768	2,254,917
Inventories of building materials		52,364	51,503	54,174	53,370
Loans receivable within 1 year	5	2,743,609	2,665,998	2,743,745	2,666,187
Other investments	8	—	—	16,338	20,929
Government grant receivable	12	728,102	656,270	728,102	656,270
Debtors and other receivables	13	286,931	292,101	292,511	298,367
Cash and cash equivalents	14	20,321	19,020	39,877	42,954
		8,209,684	7,964,543	8,253,104	8,017,728
Less: CURRENT LIABILITIES					
Loans payable within 1 year	15	5,621,921	5,484,686	5,621,921	5,484,686
Creditors and other payables	16	1,206,504	1,254,065	1,224,397	1,271,315
Amount due to subsidiary		356	372	—	—
Provision for income tax	9	—	—	1,745	2,726
		6,828,781	6,739,123	6,848,063	6,758,727
NET CURRENT ASSETS					
		1,380,903	1,225,420	1,405,041	1,259,001
NON-CURRENT LIABILITIES					
Loans payable	15	55,588,607	58,164,925	55,588,607	58,164,925
Deferred income	17	601,438	608,747	601,438	608,747
		56,190,045	58,773,672	56,190,045	58,773,672
NET ASSETS					
		14,219,424	14,248,600	14,326,150	14,375,425

The accompanying notes form part of the financial statements.



ALINE WONG
Chairman

23 May 2007



MAH LAI SEONG
Director (Finance)

**HOUSING AND DEVELOPMENT BOARD
AND ITS SUBSIDIARIES**

**INCOME AND EXPENDITURE STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007**

	<i>Note</i>	<i>HDB</i>		<i>Group</i>	
		<i>2006/2007</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2005/2006</i>
		<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Sale proceeds		1,211,677	2,271,666	1,211,677	2,271,666
Cost of sales		(1,160,787)	(2,134,651)	(1,160,787)	(2,134,651)
Gross profit on sales		50,890	137,015	50,890	137,015
Income	18	2,941,546	3,089,019	3,004,009	3,147,837
Financial expenses	19	(1,725,520)	(1,805,275)	(1,725,520)	(1,805,275)
Operating expenses	20	(1,695,488)	(2,552,546)	(1,768,822)	(2,622,018)
Other expenses	21	(311,283)	(274,172)	(311,283)	(274,172)
		(739,855)	(1,405,959)	(750,726)	(1,416,613)
Share of results of associates		—	—	(91)	(150)
NET DEFICIT BEFORE GOVERNMENT GRANT AND TAXATION		(739,855)	(1,405,959)	(750,817)	(1,416,763)
Government grant	12	745,824	754,695	745,824	754,695
NET SURPLUS/(DEFICIT) BEFORE TAXATION		5,969	(651,264)	(4,993)	(662,068)
Income tax expense	9	—	—	(3,912)	(2,281)
NET SURPLUS/(DEFICIT) AFTER TAXATION		5,969	(651,264)	(8,905)	(664,349)
Minority interests		—	—	(2,398)	(2,844)
NET SURPLUS/(DEFICIT) FOR THE YEAR		5,969	(651,264)	(11,303)	(667,193)
RETAINED EARNINGS AT THE BEGINNING OF THE YEAR		—	—	86,014	100,746
Effect of adopting FRS 39		—	—	—	1,197
RETAINED EARNINGS AT THE BEGINNING OF THE YEAR, RESTATED		—	—	86,014	101,943
Transfer from asset revaluation reserve		90,163	116,520	90,163	116,520
Transfer (to)/from capital gains reserve		(96,132)	534,744	(96,132)	534,744
RETAINED EARNINGS AT THE END OF THE YEAR		—	—	68,742	86,014

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN CAPITAL AND RESERVES FOR THE YEAR ENDED 31 MARCH 2007

<i>HDB</i>	<i>Capital Account</i>	<i>Capital Gains Reserve</i>	<i>Asset Revaluation Reserve</i>	<i>Retained Earnings</i>	<i>Total Capital and Reserves</i>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
BALANCE AS AT 1 APRIL 2006	2,463,681	5,640,176	6,144,743	—	14,248,600
Reversal in respect of land for return to the Government	—	—	(32,804)	—	(32,804)
Assets overstated in prior years	(53)	—	(2,288)	—	(2,341)
Capital gains set aside on disposal of assets	—	96,132	—	(96,132)	—
Release of reserve on sale and demolition of assets	—	—	(90,163)	90,163	—
Net gains/(losses) recognised directly in capital and reserves	(53)	96,132	(125,255)	(5,969)	(35,145)
Net surplus for the year	—	—	—	5,969	5,969
TOTAL RECOGNISED GAINS/(LOSSES) FOR THE YEAR	(53)	96,132	(125,255)	—	(29,176)
BALANCE AS AT 31 MARCH 2007	2,463,628	5,736,308	6,019,488	—	14,219,424

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN CAPITAL AND RESERVES FOR THE YEAR ENDED 31 MARCH 2007

<i>HDB</i>	<i>Capital Account</i>	<i>Capital Gains Reserve</i>	<i>Asset Revaluation Reserve</i>	<i>Retained Earnings</i>	<i>Total Capital and Reserves</i>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
BALANCE AS AT 1 APRIL 2005	2,463,681	5,045,809	7,980,890	—	15,490,380
Effect of adopting FRS 40	—	1,129,111	(1,129,111)	—	—
Balance as at 1 April 2005, restated	2,463,681	6,174,920	6,851,779	—	15,490,380
Impairment losses	—	—	(14,915)	—	(14,915)
Reversal in respect of land for return to the Government	—	—	(593,037)	—	(593,037)
Assets overstated in prior years	—	—	17,308	—	17,308
Adjustments	—	—	128	—	128
Capital gains set aside on disposal of assets	—	(534,744)	—	534,744	—
Release of reserve on sale and demolition of assets	—	—	(116,520)	116,520	—
Net gains/(losses) recognised directly in capital and reserves	—	(534,744)	(707,036)	651,264	(590,516)
Net deficit for the year	—	—	—	(651,264)	(651,264)
TOTAL RECOGNISED LOSSES FOR THE YEAR	—	(534,744)	(707,036)	—	(1,241,780)
BALANCE AS AT 31 MARCH 2006	2,463,681	5,640,176	6,144,743	—	14,248,600

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN CAPITAL AND RESERVES FOR THE YEAR ENDED 31 MARCH 2007

<i>Group</i>	<i>Capital Account</i>	<i>Capital Gains Reserve</i>	<i>Asset Revaluation Reserve</i>	<i>Foreign Currency Translation Reserve</i>	<i>Fair Value Reserve</i>	<i>Retained Earnings</i>	<i>Minority Interests</i>	<i>Total Capital and Reserves</i>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
BALANCE AS AT 1 APRIL 2006	2,468,181	5,640,176	6,144,743	(24)	4,179	86,014	32,156	14,375,425
Reversal in respect of land for return to the Government	—	—	(32,804)	—	—	—	—	(32,804)
Assets overstated in prior years	(53)	—	(2,288)	—	—	—	—	(2,341)
Fair value changes on available-for-sale assets	—	—	—	—	2,192	—	731	2,923
Share of associates' foreign currency translation reserves	—	—	—	5	—	—	2	7
Capital gains set aside on disposal of assets	—	96,132	—	—	—	(96,132)	—	—
Release of reserve on sale and demolition of assets	—	—	(90,163)	—	—	90,163	—	—
Net gains/(losses) recognised directly in capital and reserves	(53)	96,132	(125,255)	5	2,192	(5,969)	733	(32,215)
Net surplus/(deficit) for the year	—	—	—	—	—	(11,303)	2,398	(8,905)
TOTAL RECOGNISED GAINS/(LOSSES) FOR THE YEAR	(53)	96,132	(125,255)	5	2,192	(17,272)	3,131	(41,120)
Dividends paid	—	—	—	—	—	—	(8,155)	(8,155)
BALANCE AS AT 31 MARCH 2007	2,468,128	5,736,308	6,019,488	(19)	6,371	68,742	27,132	14,326,150

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN CAPITAL AND RESERVES FOR THE YEAR ENDED 31 MARCH 2007

<i>Group</i>	<i>Capital Account</i>	<i>Capital Gains Reserve</i>	<i>Asset Revaluation Reserve</i>	<i>Foreign Currency Translation Reserve</i>	<i>Fair Value Reserve</i>	<i>Retained Earnings</i>	<i>Minority Interests</i>	<i>Total Capital and Reserves</i>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
BALANCE AS AT 1 APRIL 2005	2,468,181	5,045,809	7,980,890	(36)	—	100,746	35,671	15,631,261
Effect of adopting FRS 40	—	1,129,111	(1,129,111)	—	—	—	—	—
Effect of adopting FRS 39	—	—	—	—	3,295	1,197	1,498	5,990
Balance as at 1 April 2005, restated	2,468,181	6,174,920	6,851,779	(36)	3,295	101,943	37,169	15,637,251
Impairment losses	—	—	(14,915)	—	—	—	—	(14,915)
Reversal in respect of land for return to the Government	—	—	(593,037)	—	—	—	—	(593,037)
Assets overstated in prior years	—	—	17,308	—	—	—	—	17,308
Fair value changes on available-for-sale assets	—	—	—	—	920	—	306	1,226
Transfer to Income and Expenditure Statement on disposal of available-for-sale assets	—	—	—	—	(36)	—	(12)	(48)
Share of associates' foreign currency translation reserves	—	—	—	12	—	—	4	16
Adjustments	—	—	128	—	—	—	—	128
Capital gains set aside on disposal of assets	—	(534,744)	—	—	—	534,744	—	—
Release of reserve on sale and demolition of assets	—	—	(116,520)	—	—	116,520	—	—
Net gains/(losses) recognised directly in capital and reserves	—	(534,744)	(707,036)	12	884	651,264	298	(589,322)
Net surplus/(deficit) for the year	—	—	—	—	—	(667,193)	2,844	(664,349)
TOTAL RECOGNISED GAINS/(LOSSES) FOR THE YEAR	—	(534,744)	(707,036)	12	884	(15,929)	3,142	(1,253,671)
Dividends paid	—	—	—	—	—	—	(8,155)	(8,155)
BALANCE AS AT 31 MARCH 2006	2,468,181	5,640,176	6,144,743	(24)	4,179	86,014	32,156	14,375,425

The accompanying notes form part of the financial statements.

**HOUSING AND DEVELOPMENT BOARD
AND ITS SUBSIDIARIES**

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007**

		<i>Group</i>	
	<i>Note</i>	<i>2006/2007</i>	<i>2005/2006</i>
		<i>S\$'000</i>	<i>S\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net deficit before government grant and taxation		(750,817)	(1,416,763)
Adjustments for:			
Interest income from loans receivable		(1,479,507)	(1,531,484)
Interest expense	19	1,726,307	1,805,546
Depreciation	20	309,369	347,522
Impairment losses on loans receivable and debtors		26,577	85,572
Provision/(Release) for loss for properties under development/for sale		58,449	(22,012)
Amortisation of deferred income		(70,933)	(69,910)
Amortisation of premium/discount on bonds	19	(787)	(271)
Gain on disposal/write-off of assets		(1,714)	(44,883)
Impairment losses/reversal on property, plant and equipment, and investment properties	20	23,783	765,505
Investment income	18	(5,589)	(5,623)
Share of results of associates		91	150
Deficit before working capital changes		(164,771)	(86,651)
(Increase)/Decrease in working capital:			
Properties under development		(1,050,963)	(720,986)
Properties for sale		1,015,705	2,167,855
Inventories of building materials		(804)	4,378
Debtors and other receivables		(1,729)	(20,006)
Creditors and other payables		(27,886)	(163,061)
		(65,677)	1,268,180
Loans repayment and interest received		7,086,310	7,184,788
Loans granted		(3,271,530)	(3,624,733)
Interest paid		(1,430,874)	(1,356,836)
Income tax paid	9	(3,797)	(2,771)
Deferred income received		65,516	62,216
Net cash from operating activities		<u>2,215,177</u>	<u>3,444,193</u>

**HOUSING AND DEVELOPMENT BOARD
AND ITS SUBSIDIARIES**

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007**

		<i>Group</i>	
	<i>Note</i>	<i>2006/2007</i>	<i>2005/2006</i>
		<i>S\$'000</i>	<i>S\$'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment, and investment properties		43,361	141,576
Capital expenditure		(150,858)	(64,421)
Purchase of property, plant and equipment, and investment properties		(14,597)	(23,439)
Interest received		2,930	3,961
Dividends received from other investments		3,153	1,513
Proceeds from disposal of other investments		24,340	40,452
Purchase of investments		(4,697)	(24,080)
Acquisition of associate		—	(200)
Net cash (used in)/from investing activities		(96,368)	75,362
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans payable		11,388,221	11,069,124
Repayment of loans payable		(13,826,517)	(14,802,199)
Interest paid		(349,427)	(399,378)
Net government grant received		673,992	588,528
Dividends paid to minority shareholders		(8,155)	(8,155)
Net cash used in financing activities		(2,121,886)	(3,552,080)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,077)	(32,525)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		42,954	75,479
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14	39,877	42,954

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

The Housing and Development Board (HDB) is a statutory body incorporated under the Housing and Development Act (Cap. 129, 2004 Revised Edition) under the purview of the Ministry of National Development (MND). As a statutory board, the HDB is subject to the directions of the MND and is required to implement policies and comply with instructions from its supervisory Ministry and other Government Ministries and Departments such as the Ministry of Finance (MOF).

The address of HDB is HDB Hub 480 Lorong 6 Toa Payoh Singapore 310480.

The principal activities of the HDB consist of the sale and rental of residential flats, the upgrading and redevelopment of older estates, and the granting of mortgage financing to the eligible purchasers of flats under public housing schemes. In addition, the HDB develops and manages ancillary facilities such as commercial properties, industrial properties, car parks, markets, hawker centres, and other amenities in the housing estates.

The financial statements of the HDB and the consolidated financial statements for the Group for the year ended 31 March 2007 were authorised for issue in accordance with the approval of the Board on 23 May 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of Preparation*

The financial statements have been prepared in accordance with the provisions of the Housing and Development Act and Singapore Financial Reporting Standards (“FRS”), including related Interpretations.

The financial statements are expressed in Singapore Dollars (S\$) and rounded to the nearest thousand, unless otherwise stated. They are prepared under the historical cost convention, modified by the revaluation of certain properties. For certain financial assets, they are stated at fair value.

The preparation of financial statements in conformity with FRS requires management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenditure and disclosure of contingent assets and liabilities in the financial statements. Although these estimates are based on management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates. Significant areas of estimation and management judgement with regards to valuation of assets are disclosed in Note 2.9 and 2.18.

The Group early adopted FRS 40 and all relevant new and revised FRS that are mandatory for financial years beginning on or after 1 January 2006. The adoption of these FRS has no significant impact to the Group.

2.1 *Basis of Preparation — (continued)*

The Group has not yet adopted the following accounting standards and interpretations that have been issued as of the balance sheet date but are not yet effective for the Group until FY2008:

FRS 1: Amendments to FRS 1 *Presentation of Financial Statements: Capital Disclosures*

FRS 107: *Financial Instruments: Disclosures*

The adoption of these standards is not expected to have a significant impact on the Group's financial statements.

2.2 *Group Accounting*

(i) *Consolidation*

The consolidated financial statements include the financial statements of the HDB and its subsidiary prepared up to the end of the financial year after the elimination of all material inter-company transactions. The equity and net surplus attributable to minority shareholders' interest are shown separately in the consolidated Balance Sheet and Income and Expenditure Statement respectively.

In the consolidated financial statements, subsidiaries are accounted for using the purchase method. The subsidiaries are consolidated from the date of formation up to the effective date of disposal. Interest in associates is accounted for using the equity method of accounting. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

(ii) *Subsidiaries*

A subsidiary is a company in which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The investments held in the subsidiaries are stated at cost less any impairment loss in the Balance Sheet. The investments in subsidiaries are assessed when there is an indication that an investment has been impaired or the impairment losses recognised in the prior year no longer exist.

(iii) *Associates*

An associate is a company in which the Group has significant influence over the company's financial and operating policy decisions, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group's investments in the associates are accounted for using the equity method. Under the equity method, the Group's investments in associates are carried in the Balance Sheet at cost, plus post-acquisition changes in the Group's share of net assets of the associates, less allowance for impairment, if any. The Group's share of the operating results of the associates is included in the Income and Expenditure Statement. Where the share of associates' losses exceeds the Group's interest in the associates, such excess is not recognised in the Income and Expenditure Statement.

2.3 *Capital Account*

The capital account represents:

- (i) the effects of identification and valuation of all properties and changes in accounting when the HDB adopted the present conventional accounting system on 1 April 1985; and
- (ii) the premium on the sale of land under the previous accounting system.

2.4 *Capital Gains Reserve*

Under the Constitution of the Republic of Singapore, reserves of the HDB which were not accumulated during the current term of office of the Government cannot be drawn on without the approval of the President. The capital gains reserve was created to enable the HDB to preserve the capital gains attributable to past governments on disposal of assets held at the changeover date of the Government.

2.5 *Asset Revaluation Reserve*

The previous system did not maintain individual asset accounts and the HDB was unable to identify the historical cost of each asset. When the HDB adopted the present conventional accounting system in 1985, all properties owned by the HDB at 1 April 1985 were valued at that date for the purpose of creating asset accounts arising from a change in accounting policy. The bases of valuation were:

- (i) Land and buildings of residential properties together with ancillary facilities such as car parks, markets and hawker centres were valued at replacement cost less depreciation since the date of completion of construction; and
- (ii) Land and buildings for commercial and industrial properties were valued at open market value.

The HDB conducted a second valuation for the commercial and industrial properties on 31 March 1986. The valuations were conducted by its in-house valuers. The surplus over the estimated historical cost of the properties which could be reasonably identified is carried forward as the asset revaluation reserve.

The asset revaluation reserve in respect of investment properties was reclassified to capital gains reserve on adoption of FRS 40 Investment Property on 1 April 2005.

The amount in the asset revaluation reserve is released directly to retained earnings upon disposal of the properties [Note 2.7(ii)].

When properties which were previously carried at revalued amounts are impaired, the impairment loss would be charged to the asset revaluation reserve unless the balance in the asset revaluation reserve is insufficient to cover the loss, in which case the amount by which the loss exceeds the amount in the asset revaluation reserve is charged to the Income and Expenditure Statement.

2.6 *Fair Value Reserve*

The fair value reserve includes the cumulative net change in the fair value of available-for-sale financial assets that are recognised directly to reserves until the financial assets are derecognised.

2.7 *Property, Plant And Equipment*

(i) *Measurement*

All land and buildings owned by the HDB at 1 April 1985 were valued at that date for the purpose of creating asset accounts arising from a change in accounting policy. Additional information on the valuation of the properties is made in Note 2.5.

All land and buildings acquired or constructed after 1 April 1985 are recorded at cost less accumulated depreciation and impairment losses. Cost of properties includes the cost of land, construction cost, development overheads and financing cost until completion of the project.

When a building comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Plant, equipment and others are stated at cost less accumulated depreciation and impairment losses. Assets costing less than S\$2,000 each are written off in the year of acquisition.

(ii) *Derecognition*

An item of property, plant and equipment is derecognised upon its disposal. The difference between the net disposal proceeds and its carrying amount is taken to the Income and Expenditure Statement.

(iii) *Subsequent Expenditure*

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance before the expenditure was made, will flow to the Group and the cost can be reliably measured. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

2.7 *Property, Plant And Equipment — (continued)*

(iv) *Depreciation*

No depreciation is provided on freehold land, leasehold land of 999 years and artworks. All other property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, as follows:

Leasehold land	— 99 years or the remaining lease period
Buildings	— 60 years
Plant and machinery	— 3–10 years
Office equipment, furniture, fixtures and fittings	— 3–12 years
Motor vehicles	— 6 years

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

The useful lives and residual values of property, plant and equipment are reviewed and adjusted as appropriate at each balance sheet date.

2.8 *Investment Properties*

Investment properties are held for their long-term rental yields or for capital appreciation or both, and are not occupied by the companies of the Group.

Investment properties, comprising industrial properties and commercial complexes, are stated at cost less accumulated depreciation and impairment losses. Depreciation is determined on a straight-line basis over the estimated useful lives. The useful lives are stated in Note 2.7(iv).

Property that is being developed for future use as investment property is classified as properties under development until the development is completed, at which time it is classified and accounted for as investment property.

On disposal of an investment property, the difference between the net proceeds and the carrying amount is taken to the Income and Expenditure Statement.

2.9 *Impairment of Property, Plant and Equipment, and Investment Properties*

Property, plant and equipment, and investment properties are reviewed for impairment whenever events or changes in circumstances indicate that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) of the asset is estimated to determine the amount of impairment loss.

The recoverable amount is determined in-house using the comparable sales method or the income approach based on contractual rents. Valuations based on income approach are further verified with a sampling of market valuations by a private valuer.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised as operating expenses in the Income and Expenditure Statement unless it reverses a previous revaluation credited to asset revaluation reserve, in which case it is charged to asset revaluation reserve.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in the Income and Expenditure Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. However, the increased carrying amount of asset due to a reversal of impairment losses is recognised to the extent it does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for that asset in prior years.

For properties where the fees and charges recoverable from the rental of these properties are gazetted, or applicable only to eligible tenants under criteria which are in line with Government's housing and social policies, no review for impairment is carried out.

2.10 *Properties Under Development*

Properties under development includes assets under construction, properties for sale under development and cost of upgrading sold properties which is recoverable from lessees and Town Councils on completion.

The cost of properties under development includes acquisition costs, borrowing costs and other related development expenditure. Borrowing costs are capitalised until the completion of development.

Assets under construction are stated at cost. Depreciation will commence when the asset is available for use.

Properties for sale under development are stated at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

Development of flats for sale is expected to incur a loss on sale. Provision is made for foreseeable loss for the difference between estimated development cost and net realisable value, and charged to operating expenses in the Income and Expenditure Statement. On completion, the loss is reclassified to provision for unrealised loss of the properties for sale or realised when the flat is sold.

2.11 *Properties For Sale*

Properties for sale are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis. The net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

Provision for unrealised loss for flats developed or acquired is made for the difference between the cost and estimated selling price less selling expenses, and charged to operating expenses in the Income and Expenditure Statement. When the flat is sold, the unrealised loss previously provided is realised on sale of the flat.

2.12 *Inventories of Building Materials*

Inventories of building materials are stated at the lower of cost and net realisable value. Cost is determined by the weighted average basis.

2.13 *Loans Receivable, Debtors and Other Receivables*

Loans receivable, trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

If there is objective evidence that an impairment on loans receivable, debtors and other receivables has occurred, the carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in the Income and Expenditure Statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the Income and Expenditure Statement, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

2.14 *Investments in Financial Assets*

(i) *Classification*

The Group classifies its investments in financial assets in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

2.14 *Investments in Financial Assets — (continued)*

Financial assets at fair value through profit or loss has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The Group's held-to-maturity investments include investments in fixed and variable rate corporate bonds.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in the other categories.

(ii) *Recognition and Measurement*

Purchases and sales of investments are recognised on trade date i.e. date the Group commits to purchase or sell the financial asset. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The financial assets are initially recognised at fair value. After initial recognition, held-to-maturity investments are carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets through profit or loss are carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the Income and Expenditure Statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in the fair value reserve. When investments classified as available-for-sale are sold or impaired, the cumulative gain or loss previously recognised in the fair value reserve is recognised in the Income and Expenditure Statement.

The fair value of quoted financial assets is based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

(iii) *Impairment*

The financial assets are reviewed for impairment at each balance sheet date whenever events or changes in circumstances indicate that the carrying amount of a financial asset may not be recoverable.

For a held-to-maturity asset, an impairment loss is recognised in the Income and Expenditure Statement when there is objective evidence that the financial asset is impaired. Impairment loss is reversed through the Income and Expenditure Statement. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior periods.

For an available-for-sale asset, when there is objective evidence that the financial asset is impaired, any cumulative loss that had been recognised directly in fair value reserve previously is removed from the fair value reserve and recognised in the Income and Expenditure Statement. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired. The impairment loss on equity instruments is not reversed through the Income and Expenditure Statement. Impairment loss on debt instruments classified as available-for-sale financial assets is reversed through the Income and Expenditure Statement, when the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in the Income and Expenditure Statement.

2.15 *Cash and Cash Equivalents*

Cash and cash equivalents comprise fixed deposits and cash and bank balances. They are subject to an insignificant risk of change in value.

2.16 *Loans Payable*

The housing development loans, mortgage financing loans and upgrading financing loans are borrowed from the Government under an Agreement for Loan Facility.

The mortgage financing loans and upgrading financing loans are taken to finance the mortgage loans granted to lessees for purchase of flats under public housing schemes and loans granted to lessees of upgraded flats under the deferred payment scheme. The housing development loans, bank loans and bonds are to finance the HDB's development programmes and operational requirements.

The loans and bonds are initially recognised at fair value. After initial recognition, they are subsequently measured at amortised cost using the effective interest method.

2.17 *Creditors and Other Payables*

Creditors and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 *Fair Value Estimation*

The fair value of financial instruments traded in active markets is based on quoted market prices at balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. The indicative bid price is used for the bonds issued by the Group.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying amounts of loan receivable, government and bank loans, cash and cash equivalents, current receivables and current payables are assumed to approximate their fair values. The Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

2.19 *Provisions*

A provision is recognised in the Balance Sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

2.20 *Property Leases*

Leases of assets where substantially all risks and rewards incidental to ownership of the assets are transferred by the Group to the lessees are classified as finance leases. The difference between the present value of the lump sum lease payment and the carrying amount of the asset less the present value of the estimated residual value accruing to the Group, is recognised as profit or loss in the Income and Expenditure Statement in the year in which the lease is granted.

All other leases are treated as operating leases. Assets leased out under operating lease are included in the investment properties and property, plant and equipment. The rental income from the lease (net of any incentives) is recognised in the Income and Expenditure Statement on a straight-line basis over the lease term.

2.21 *Employee Benefits*

(i) *Defined Contribution Plans*

Contributions on employees' salaries are made to the Central Provident Fund (CPF), as required by law. The CPF contributions are recognised as an expense in the period when the employees rendered their services.

(ii) *Employees' Leave Entitlement*

Employees' entitlement to annual leave are recognised when they accrue to the employees. An accrual of the estimated liability for annual leave, based on services rendered by employees, is made at balance sheet date.

(iii) *Termination Benefits*

Termination benefits are payable whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognised as a result of an offer made due to redundancy.

2.22 *Income Recognition*

(i) *Sale Proceeds*

Proceeds from sale of properties and building materials are recognised as income when they are sold.

(ii) *Interest*

Interest income is earned mainly from mortgage loans granted to purchasers of flats under public housing schemes. It is accrued based on the effective interest rate.

(iii) *Rental and Related Income*

Rental and related income from operating leases on investment and other properties are recognised on a straight-line basis over the lease term.

(iv) *Car Park Charges*

Season parking fees are recognised on the accrual basis. Parking coupon income is recognised upon the sale of coupons. Parking fines and other charges are recognised upon receipt of payments.

(v) *Recoveries*

Recoveries from the lessees and Town Councils (for Lift Upgrading only) for their share of the upgrading cost are recognised as income upon completion of the upgrading works.

(vi) *Agency and Consultancy Fees*

Agency fees from agency projects and consultancy fees are recognised as income when services are rendered.

(vii) *Investment Income*

Interest income is accrued based on the effective interest rate.

Dividend income is recognised when the shareholder's right to receive payment is established.

2.23 *Financial Expenses*

(i) *Housing Development Loans, Bank Loans and Bonds*

The HDB's development programmes and operational requirements are financed by housing development loans from the Government, bank loans and bonds issued. Financial expenses comprise interest incurred on these loans and bonds and net amortised discount or premium on bonds. Financial expenses are accrued based on the effective interest rates and recognised in the Income and Expenditure Statement, except to the extent that they are capitalised based on an average capitalisation rate during the period of time that is required to complete and prepare the asset for its intended use.

2.23 *Financial Expenses — (continued)*

(ii) *Mortgage and Upgrading Financing Loans*

The HDB provides financing schemes to purchasers of flats under public housing schemes and lessees of upgraded flats. The schemes are financed by mortgage and upgrading financing loans from the Government. Interest expenses are charged to the Income and Expenditure Statement when incurred.

2.24 *Taxation*

The HDB is exempt from tax under section 13(1)(e) of the Income Tax Act (Cap. 134, 2004 Revised Edition).

Current income tax liabilities (and assets) of the Group for current and prior periods are recognised at the amounts expected to be paid (or recovered from) the tax authorities, using the tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax liabilities/assets are recognised for all deductible/taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax asset is recognised to the extent that it is probable that the future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are measured at:

- (i) the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liabilities are settled, based on tax rates that have been enacted or substantially enacted by the balance sheet date; and
- (ii) the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income tax are recognised as income or expenses in the Income and Expenditure Statement for the period, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax on temporary differences arising from the revaluation gains and losses on land and buildings, fair value gains and losses on available-for-sale financial assets are charged or credited directly to equity in the same period the temporary differences arise.

2.25 *Government Grant*

The HDB's deficit is financed by government grant. In addition, a grant is given to the HDB so that the reserves of past governments are protected in accordance with the Constitution.

Grant is recognised as income on an accrual basis when conditions are met. Grant to finance the HDB's deficit is received in advance, other than the provision for foreseeable loss in properties for sale and impairment allowance of loans receivable. The grant relating to the provision for foreseeable loss and impairment allowance of loans receivable is drawn when the loss is realised.

The financing arrangement is subject to the MOF's review from time to time. The cumulative grant received from the Government since the establishment of the HDB is disclosed in Note 22.

2.26 *Foreign Currency*

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The financial statements of the HDB and the consolidated financial statements for the Group are presented in Singapore Dollars, which is the functional currency of the HDB.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Income and Expenditure Statement.

Foreign currency monetary assets and liabilities are translated into the functional currency at the rates of exchange prevailing at the balance sheet date. Exchange differences arising are taken to the Income and Expenditure Statement, except for currency translation differences on the net investment in foreign operations which are included in the foreign currency translation reserve within equity in the consolidated financial statements.

Foreign currency non-monetary assets and liabilities measured at cost are translated using the exchange rate at the date of the transaction. Foreign currency non-monetary assets and liabilities measured at fair value are translated into the functional currency at the rates of exchange prevailing at the date fair value was determined. Currency translation difference on non-monetary items, such as equity investments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Currency translation difference on non-monetary items, such as equity investments classified as available-for-sale financial assets, are included in the fair value reserve within equity.

In respect of the results and financial position of Group entities (none of which has the currency of a hyperinflationary economy) that are in functional currencies other than Singapore Dollars, the assets and liabilities for each Balance Sheet presented are translated at the closing rate at the balance sheet date, and the income and expenses for each Income and Expenditure Statement are translated at average exchange rates. All resulting exchange differences are taken directly to the foreign currency translation reserve.

3. PROPERTY, PLANT AND EQUIPMENT

	<i>HDB</i>				
	<i>Land</i>	<i>Buildings</i>	<i>Plant and Machinery</i>	<i>Office Equipment, Furniture and Vehicles</i>	<i>Total</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<i>Cost or valuation</i>					
At 1 April 2006	11,611,044	6,308,947	11,770	75,311	18,007,072
Additions	47,349	92,093	153	1,738	141,333
Disposals/Write-off	(118,169)	(14,581)	(895)	(5,919)	(139,564)
Transfers	(42,668)	(34,313)	—	—	(76,981)
At 31 March 2007	<u>11,497,556</u>	<u>6,352,146</u>	<u>11,028</u>	<u>71,130</u>	<u>17,931,860</u>
<i>Representing:</i>					
Valuation					
1 April 1985	4,777,201	908,096	—	—	5,685,297
31 March 1986	864,805	300,780	—	—	1,165,585
Cost	<u>5,855,550</u>	<u>5,143,270</u>	<u>11,028</u>	<u>71,130</u>	<u>11,080,978</u>
	<u>11,497,556</u>	<u>6,352,146</u>	<u>11,028</u>	<u>71,130</u>	<u>17,931,860</u>
<i>Accumulated depreciation and impairment losses</i>					
At 1 April 2006	1,666,415	1,278,318	10,237	65,614	3,020,584
Depreciation	116,035	111,715	398	4,076	232,224
Disposals/Write-off	(54,550)	(4,991)	(894)	(5,864)	(66,299)
Transfers	(6,272)	(10,597)	—	—	(16,869)
Impairment losses	6,513	3,693	—	—	10,206
Reversal of impairment losses	(996)	(459)	—	—	(1,455)
At 31 March 2007	<u>1,727,145</u>	<u>1,377,679</u>	<u>9,741</u>	<u>63,826</u>	<u>3,178,391</u>
<i>Carrying amounts</i>					
At 31 March 2007	<u>9,770,411</u>	<u>4,974,467</u>	<u>1,287</u>	<u>7,304</u>	<u>14,753,469</u>

Land and buildings include markets and hawker centres of which the management was transferred to the National Environment Agency (NEA) from April 2004. Under the agreement to manage and maintain the markets and hawker centres, the NEA shall retain the rental collected, bear the operating expenses and reimburse HDB for holding and maintaining these properties. The net book value of these markets and hawker centres was S\$435 million (FY 2005/2006: S\$416 million).

The impairment losses of S\$10 million (FY 2005/2006: S\$53 million) provided and the reversal of S\$1 million in respect of some commercial properties were based on the estimated recoverable value, taking into account the recent tenders and market comparables for these properties.

3. PROPERTY, PLANT AND EQUIPMENT — (continued)

	<i>HDB</i>				
	<i>Land</i>	<i>Buildings</i>	<i>Plant and Machinery</i>	<i>Office Equipment, Furniture and Vehicles</i>	<i>Total</i>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
<i>Cost or valuation</i>					
At 1 April 2005	12,260,790	6,280,146	15,048	83,791	18,639,775
Additions	91,265	96,263	147	3,293	190,968
Disposals/Write-off	(683,983)	(44,667)	(3,425)	(11,773)	(743,848)
Transfers	(57,028)	(22,795)	—	—	(79,823)
At 31 March 2006	<u>11,611,044</u>	<u>6,308,947</u>	<u>11,770</u>	<u>75,311</u>	<u>18,007,072</u>
<i>Representing:</i>					
<i>Valuation</i>					
1 April 1985	5,377,430	889,554	—	—	6,266,984
31 March 1986	369,506	344,806	—	—	714,312
Cost	<u>5,864,108</u>	<u>5,074,587</u>	<u>11,770</u>	<u>75,311</u>	<u>11,025,776</u>
	<u>11,611,044</u>	<u>6,308,947</u>	<u>11,770</u>	<u>75,311</u>	<u>18,007,072</u>
<i>Accumulated depreciation and impairment losses</i>					
At 1 April 2005	1,513,667	1,182,906	12,821	70,729	2,780,123
Depreciation	136,688	111,591	449	6,473	255,201
Disposals/Write-off	(20,184)	(20,145)	(3,033)	(11,588)	(54,950)
Transfers	(5,596)	(6,788)	—	—	(12,384)
Impairment losses	41,840	10,754	—	—	52,594
At 31 March 2006	<u>1,666,415</u>	<u>1,278,318</u>	<u>10,237</u>	<u>65,614</u>	<u>3,020,584</u>
<i>Carrying amounts</i>					
At 31 March 2006	<u>9,944,629</u>	<u>5,030,629</u>	<u>1,533</u>	<u>9,697</u>	<u>14,986,488</u>

3. PROPERTY, PLANT AND EQUIPMENT — (continued)

	<i>Group</i>				
	<i>Land</i>	<i>Buildings</i>	<i>Plant and Machinery</i>	<i>Office Equipment, Furniture and Vehicles</i>	<i>Total</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<i>Cost or valuation</i>					
At 1 April 2006	11,611,044	6,314,516	12,040	79,120	18,016,720
Additions	47,349	92,093	159	2,177	141,778
Disposals/Write-off	(118,169)	(14,581)	(905)	(6,712)	(140,367)
Transfers	(42,668)	(34,313)	—	—	(76,981)
At 31 March 2007	<u>11,497,556</u>	<u>6,357,715</u>	<u>11,294</u>	<u>74,585</u>	<u>17,941,150</u>
<i>Representing:</i>					
<i>Valuation</i>					
1 April 1985	4,777,201	908,096	—	—	5,685,297
31 March 1986	864,805	300,780	—	—	1,165,585
Cost	<u>5,855,550</u>	<u>5,148,839</u>	<u>11,294</u>	<u>74,585</u>	<u>11,090,268</u>
	<u>11,497,556</u>	<u>6,357,715</u>	<u>11,294</u>	<u>74,585</u>	<u>17,941,150</u>
<i>Accumulated depreciation and impairment losses</i>					
At 1 April 2006	1,666,415	1,278,837	10,477	68,617	3,024,346
Depreciation	116,035	111,809	418	4,384	232,646
Disposals/Write-off	(54,550)	(4,991)	(904)	(6,651)	(67,096)
Transfers	(6,272)	(10,597)	—	—	(16,869)
Impairment losses	6,513	3,693	—	—	10,206
Reversal of impairment losses	(996)	(459)	—	—	(1,455)
At 31 March 2007	<u>1,727,145</u>	<u>1,378,292</u>	<u>9,991</u>	<u>66,350</u>	<u>3,181,778</u>
<i>Carrying amounts</i>					
At 31 March 2007	<u>9,770,411</u>	<u>4,979,423</u>	<u>1,303</u>	<u>8,235</u>	<u>14,759,372</u>

3. PROPERTY, PLANT AND EQUIPMENT — (continued)

	<i>Group</i>				
	<i>Land</i>	<i>Buildings</i>	<i>Plant and Machinery</i>	<i>Office Equipment, Furniture and Vehicles</i>	<i>Total</i>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
<i>Cost or valuation</i>					
At 1 April 2005	12,260,790	6,285,715	15,320	87,680	18,649,505
Additions	91,265	96,263	147	3,603	191,278
Disposals/Write-off	(683,983)	(44,667)	(3,427)	(12,163)	(744,240)
Transfers	(57,028)	(22,795)	—	—	(79,823)
At 31 March 2006	<u>11,611,044</u>	<u>6,314,516</u>	<u>12,040</u>	<u>79,120</u>	<u>18,016,720</u>
<i>Representing:</i>					
<i>Valuation</i>					
1 April 1985	5,377,430	889,554	—	—	6,266,984
31 March 1986	369,506	344,806	—	—	714,312
Cost	<u>5,864,108</u>	<u>5,080,156</u>	<u>12,040</u>	<u>79,120</u>	<u>11,035,424</u>
	<u>11,611,044</u>	<u>6,314,516</u>	<u>12,040</u>	<u>79,120</u>	<u>18,016,720</u>
<i>Accumulated depreciation and impairment losses</i>					
At 1 April 2005	1,513,667	1,183,331	13,043	73,800	2,783,841
Depreciation	136,688	111,685	469	6,786	255,628
Disposals/Write-off	(20,184)	(20,145)	(3,035)	(11,969)	(55,333)
Transfers	(5,596)	(6,788)	—	—	(12,384)
Impairment losses	<u>41,840</u>	<u>10,754</u>	<u>—</u>	<u>—</u>	<u>52,594</u>
At 31 March 2006	<u>1,666,415</u>	<u>1,278,837</u>	<u>10,477</u>	<u>68,617</u>	<u>3,024,346</u>
<i>Carrying amounts</i>					
At 31 March 2006	<u>9,944,629</u>	<u>5,035,679</u>	<u>1,563</u>	<u>10,503</u>	<u>14,992,374</u>

4. INVESTMENT PROPERTIES

	<i>HDB</i>	<i>Group</i>
	<u>S\$'000</u>	<u>S\$'000</u>
<i>Cost</i>		
At 1 April 2006	6,676,826	6,695,953
Additions	124	124
Disposals/Write-off	(4,772)	(4,772)
Transfers	(2,879)	(2,879)
At 31 March 2007	<u>6,669,299</u>	<u>6,688,426</u>
<i>Accumulated depreciation and impairment losses</i>		
At 1 April 2006	1,751,520	1,755,422
Depreciation	79,550	79,550
Disposals/Write-off	(1,455)	(1,455)
Transfers	(527)	(527)
Impairment losses	19,818	19,848
Reversal of impairment losses	(1,854)	(4,816)
At 31 March 2007	<u>1,847,052</u>	<u>1,848,022</u>
<i>Carrying amounts</i>		
At 31 March 2007	<u>4,822,247</u>	<u>4,840,404</u>
<i>Fair value</i>		
At 31 March 2007	<u>10,663,823</u>	<u>10,684,423</u>

The Group's impairment losses of S\$20 million (FY 2005/2006: S\$711 million) was provided in respect of leased lands at various sites based on the revised gross plot ratio and tender of recent leases of similar usage. Reversal of impairment losses of S\$5 million were made in respect of some sites to reflect the estimated recoverable amount.

	<i>HDB</i>	<i>Group</i>
	<u>S\$'000</u>	<u>S\$'000</u>
<i>Cost</i>		
At 1 April 2005	6,666,385	6,685,512
Additions	11,350	11,350
Disposals/Write-off	(909)	(909)
At 31 March 2006	<u>6,676,826</u>	<u>6,695,953</u>
<i>Accumulated depreciation and impairment losses</i>		
At 1 April 2005	949,449	953,351
Depreciation	91,894	91,894
Disposals/Write-off	(341)	(341)
Impairment losses	710,518	710,518
At 31 March 2006	<u>1,751,520</u>	<u>1,755,422</u>
<i>Carrying amounts</i>		
At 31 March 2006	<u>4,925,306</u>	<u>4,940,531</u>
<i>Fair value</i>		
At 31 March 2006	<u>9,594,101</u>	<u>9,610,201</u>

5. LOANS RECEIVABLE

	<i>HDB</i>		<i>Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<i>Loans receivable</i>				
Mortgage loans for flats	52,185,442	54,518,891	52,185,442	54,518,891
Loans for shops sold	44	13	44	13
Staff loans	—	—	395	551
	52,185,486	54,518,904	52,185,881	54,519,455
<i>Less:</i>				
Allowance for impairment on mortgage loans	(114,985)	(95,600)	(114,985)	(95,600)
	52,070,501	54,423,304	52,070,896	54,423,855
<i>Deferred receivable</i>				
Upgrading cost due from lessees	124,458	126,252	124,458	126,252
Balance as at 31 March	52,194,959	54,549,556	52,195,354	54,550,107
Represented by amount receivable:				
Within 1 year	2,743,609	2,665,998	2,743,745	2,666,187
Later than 1 year but not more than 2 years	2,439,223	2,466,807	2,439,332	2,466,940
Later than 2 years but not more than 5 years	7,451,256	7,540,640	7,451,400	7,540,843
Later than 5 years	39,560,871	41,876,111	39,560,877	41,876,137
	49,451,350	51,883,558	49,451,609	51,883,920
	52,194,959	54,549,556	52,195,354	54,550,107

The mortgage loans are granted to the buyers of flats under public housing schemes, and the flats are taken as collateral.

Under the Agreement for Loan Facility with the Government, mortgage and upgrading financing loans are obtained from the Government to finance loans granted to eligible purchasers of flats under public housing schemes at concessionary or market interest rates, in accordance with prevailing mortgage financing policy and upgrading programme of the Government.

The loans receivable and deferred receivable are denominated in Singapore Dollars.

Loans receivable

The movements of loans receivable during the year for the Group:

	<i>Balance as at 1.4.2006</i>	<i>Loans Granted</i>	<i>Repayment</i>	<i>Balance as at 31.3.2007</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Mortgage loans for flats	54,518,891	3,243,702	5,577,151	52,185,442
Loans for shops sold	13	44	13	44
Staff loans	551	77	233	395
	54,519,455	3,243,823	5,577,397	52,185,881

5. LOANS RECEIVABLE — (continued)

The movements of allowance for impairment on mortgage loans for flats for the Group:

	<i>Balance as at 1.4.2006</i>	<i>Impairment allowance for the year</i>	<i>Bad debts written off against allowance</i>	<i>Balance as at 31.3.2007</i>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Allowance for impairment on mortgage loans for flats	<u>95,600</u>	<u>19,480</u>	<u>95</u>	<u>114,985</u>

Interest rates and repayment terms on the loans are:

	<i>Interest rate (per annum)</i>	<i>Repayment term</i>
Mortgage loans granted to lessees for purchase of flats under public housing schemes	2.60% to 3.72%	Up to 30 years
Loans granted to tenants for the purchase of shops	5.25%	4 years
Housing loans granted to staff	4.25% to 5%	Up to 7 years

Deferred receivable

Under the deferred payment scheme, lessees of upgraded flats can pay for their share of the upgrading costs through monthly instalments at interest rates ranging from 2.60% to 3.72% per annum over periods of up to 25 years.

6. INVESTMENTS IN SUBSIDIARY

			HDB	
			2006/2007	2005/2006
			S\$'000	S\$'000
<i>Subsidiary</i>				
EM Services Pte Ltd ^(a) (unquoted shares at cost)			<u>1,500</u>	<u>1,500</u>
	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Percentage of equity held by the Group</u>	
			2006/2007	2005/2006
			%	%
<i>Subsidiary of HDB</i>				
EM Services Pte Ltd ^(a)	Property management and engineering services	Singapore	75	75
<i>Subsidiaries of EM Services Pte Ltd</i>				
EM (China) Pte Ltd ^(b)	Property management	Singapore	60	60
E M Property Management Pte Ltd ^(a)	Property management	Singapore	100	100
Yi An Property Agency Pte Ltd ^(a)	Real estate agency	Singapore	100	100

^(a)Audited by SP Tan & Co.

^(b)Not audited as the entity is in the process of strike-off

7. INVESTMENTS IN ASSOCIATES

		<i>Group</i>	
		<i>2006/2007</i>	<i>2005/2006</i>
		<i>S\$'000</i>	<i>S\$'000</i>
<i>Associates</i>			
Unquoted shares at cost		725	970
Share of post-acquisition reserves		(228)	(389)
		<u>497</u>	<u>581</u>

	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>Percentage of equity held by the Group</i>	
			<i>2006/2007</i>	<i>2005/2006</i>
			<i>%</i>	<i>%</i>
<i>Associates of EM Services Pte Ltd</i>				
Pengda Investment & Development Pte Ltd ^(a)	Investment and real estate developer	Singapore	35	35
Semtec Construction Pte Ltd ^(b)	Consultant on retrofitting and construction of buildings	Singapore	—	49
Yihe Holdings Pte Ltd ^(c)	Facilities and project management consultants	Singapore	20	20

^(a)Audited by SP Tan & Co.

^(b)The investment in Semtec Construction Pte Ltd was disposed in March 2007.

^(c)Audited by PricewaterhouseCoopers.

8. OTHER INVESTMENTS

		<i>Group</i>	
		<i>2006/2007</i>	<i>2005/2006</i>
		<i>S\$'000</i>	<i>S\$'000</i>
<i>Non-current investments:</i>			
Available-for-sale financial assets			
Balance as at 1 April		43,681	44,379
Additions		4,645	18,624
Disposals (mainly on maturity)		(6,600)	(20,548)
Fair value gains recognised in equity		2,923	1,226
Balance as at 31 March		44,649	43,681
Less: Current portion		(8,000)	(10,000)
Non-current portion		<u>36,649</u>	<u>33,681</u>
Held-to-maturity financial assets			
— Bonds at amortised costs		20,533	35,823
		<u>57,182</u>	<u>69,504</u>
Fair value of held-to-maturity financial assets — bonds		<u>20,844</u>	<u>36,040</u>

8. OTHER INVESTMENTS — (continued)

	<i>Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>
<i>Current investments:</i>		
Available-for-sale financial assets (current portion)	8,000	10,000
Held-to-maturity financial assets		
— Bonds at amortised cost	8,338	10,929
Held-for-trading financial assets		
Balance as at 1 April	—	9,746
Disposals	—	(9,746)
Balance as at 31 March	—	—
	<u>16,338</u>	<u>20,929</u>
Fair value of held-to-maturity financial assets — bonds	<u>8,258</u>	<u>10,829</u>

Available-for-sale financial assets include:

	<i>Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>
	<i>At fair value</i>	<i>At fair value</i>
Equity securities	36,649	33,681
Floating rate notes	8,000	10,000
	<u>44,649</u>	<u>43,681</u>

All these financial assets are denominated in Singapore Dollars.

Fair value of financial assets is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

The bonds and floating rate notes bear an effective weighted average interest rate of 4.91% (FY 2005/2006: 4.97%) and 4.32% (FY 2005/2006: 4.1%) per annum respectively with maturity dates from April 2007 to December 2011.

9. INCOME TAX

(a) *Income tax expenses*

	<i>Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Current tax expense		
— Current year	1,174	2,842
— Adjustment to prior periods	1,642	(320)
	<u>2,816</u>	<u>2,522</u>
Deferred tax expense		
— Origination and reversal of temporary differences	709	(131)
— Reduction in tax rate	319	—
— Adjustment to prior periods	68	(110)
	<u>1,096</u>	<u>(241)</u>
Total income tax expense	<u>3,912</u>	<u>2,281</u>

9. INCOME TAX — *(continued)*

The income tax expense on the results for the financial year varies from the amount of income tax determined by applying the Singapore standard rate of income tax to net surplus before taxation due to the following factors:

	<i>Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Net deficit before taxation	(4,993)	(662,068)
Net deficit of HDB excluding dividends from subsidiary (Note 18), not subject to taxation	18,496	675,729
Net surplus subject to taxation	13,503	13,661
Tax calculated at a tax rate of 18% (FY 2005/2006: 20%)	2,431	2,732
Effect of reduction in tax rate	319	—
Singapore statutory stepped income exemption	(67)	(27)
Income tax at concessionary rate	(38)	(289)
Income not taxable	(669)	(33)
Expenses not deductible for tax purposes	226	328
Adjustments to prior periods	1,710	(430)
	3,912	2,281

(b) Movements in provision for income tax

	<i>Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Balance as at 1 April	2,726	2,975
Income tax paid	(3,797)	(2,771)
Tax expense on deficit [Note 9 (a)]		
— current financial year	1,174	2,842
— (over)/under provision in preceding financial years	1,642	(320)
Balance as at 31 March	1,745	2,726

(c) Deferred taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 18% (FY 2005/2006: 20%).

The movement on the deferred tax asset is as follows:

	<i>Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Balance as at 1 April	(3,186)	(2,945)
Tax charged/(credited) to Income and Expenditure Statement	1,096	(241)
Balance as at 31 March	(2,090)	(3,186)

9. INCOME TAX — (continued)

The movement in the Group's deferred tax assets and liabilities (prior to offsetting of balances with the same tax jurisdiction) during the financial year is as follows:

Deferred tax liabilities

	<i>Group</i>		
	<i>Accelerated tax depreciation</i>	<i>Others</i>	<i>Total</i>
	S\$'000	S\$'000	S\$'000
At 1 April 2005	135	223	358
Charged/(credited) to Income and Expenditure Statement	1	(19)	(18)
At 31 March 2006/1 April 2006	136	204	340
Credited to Income and Expenditure Statement	(9)	(204)	(213)
At 31 March 2007	127	—	127

Deferred tax assets

	<i>Group</i>		
	<i>Provisions</i>	<i>Others</i>	<i>Total</i>
	S\$'000	S\$'000	S\$'000
At 1 April 2005	(2,533)	(770)	(3,303)
Charged/(credited) to Income and Expenditure Statement	(363)	140	(223)
At 31 March 2006/1 April 2006	(2,896)	(630)	(3,526)
Credited to Income and Expenditure Statement	679	630	1,309
At 31 March 2007	(2,217)	—	(2,217)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated Balance Sheet of the Group:

	<i>Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>
	S\$'000	S\$'000
Deferred tax asset	(2,090)	(3,186)

10. PROPERTIES UNDER DEVELOPMENT

	<i>HDB and Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Land	2,339,771	1,990,820
Buildings	971,599	615,855
Upgrading works	81,286	63,480
Improvement works	8,175	23,412
	<u>3,400,831</u>	<u>2,693,567</u>
<i>Less:</i>		
Provision for foreseeable loss (Note 2.10)	(765,242)	(668,833)
Balance as at 31 March	<u>2,635,589</u>	<u>2,024,734</u>
Represented by:		
Properties for sale under development	2,203,642	1,639,657
Assets under construction	350,661	321,597
Upgrading works	81,286	63,480
	<u>2,635,589</u>	<u>2,024,734</u>
Interest capitalised during the year (Note 19)	<u>43,971</u>	<u>55,378</u>

During the financial year, interest capitalised as properties under development amounted to S\$44 million (FY 2005/2006: S\$55 million) at an average capitalisation rate of 3.86% (FY 2005/2006: 3.86%).

11. PROPERTIES FOR SALE

	<i>HDB and Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Cost of flats	1,870,713	2,420,822
<i>Less:</i>		
Provision for unrealised loss (Note 2.11)	(127,945)	(165,905)
Balance as at 31 March	<u>1,742,768</u>	<u>2,254,917</u>

12. GOVERNMENT GRANT RECEIVABLE

	<i>HDB and Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Balance as at 1 April	656,270	490,103
<i>Less:</i>		
Amount received	(673,992)	(588,528)
	(17,722)	(98,425)
Transfer from Income and Expenditure Statement	745,824	754,695
Balance as at 31 March	<u>728,102</u>	<u>656,270</u>

The amount transferred from Income and Expenditure Statement is the deficit to be financed by the Government under existing financing arrangement (Note 2.25).

13. DEBTORS AND OTHER RECEIVABLES

	<i>HDB</i>		<i>Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Debtors	254,740	278,586	259,250	282,896
<i>Less:</i>				
Allowance for impairment	(22,801)	(23,305)	(22,851)	(23,305)
	231,939	255,281	236,399	259,591
Prepayments	54,693	35,614	54,693	35,614
Others	299	1,206	1,419	3,162
	<u>286,931</u>	<u>292,101</u>	<u>292,511</u>	<u>298,367</u>

The movements of allowance for impairment on debtors for the HDB and Group are as follows:

	<i>HDB</i>		<i>Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Balance as at 1 April	23,305	26,301	23,305	26,301
Impairment allowance for the year	6,032	4,079	6,082	4,079
Bad debts written off against allowance	(6,536)	(7,075)	(6,536)	(7,075)
Balance as at 31 March	<u>22,801</u>	<u>23,305</u>	<u>22,851</u>	<u>23,305</u>

14. CASH AND CASH EQUIVALENTS

	<i>HDB</i>		<i>Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Bank balances and cash	20,321	12,520	22,089	13,724
Fixed deposits	—	6,500	17,788	29,230
	<u>20,321</u>	<u>19,020</u>	<u>39,877</u>	<u>42,954</u>

15. LOANS PAYABLE

	<i>HDB and Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>
<i>Government loans</i>		
Housing development loans	2,018,057	3,705,362
Mortgage financing loans	52,472,895	54,581,214
Upgrading financing loans	115,797	119,470
	54,606,749	58,406,046
<i>Bonds</i>		
Principal	4,900,000	4,400,000
Unamortised premium/discount	2,279	3,065
	4,902,279	4,403,065
<i>Bank loans (unsecured)</i>	1,701,500	840,500
Balance as at 31 March	61,210,528	63,649,611
Represented by amount payable:		
Within 1 year	5,621,921	5,484,686
Later than 1 year but not more than 2 years	3,784,604	4,262,487
Later than 2 years but not more than 5 years	13,906,987	13,809,923
Later than 5 years	37,897,016	40,092,515
	55,588,607	58,164,925
	61,210,528	63,649,611
Fair value of bonds	4,975,106	4,348,988

The loans and bonds are denominated in Singapore Dollars.

The movements during the year for the Group:

	<i>Balance as at 1.4.2006</i>	<i>Borrowings</i>	<i>Repayment</i>	<i>Balance as at 31.3.2007</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<i>Government loans</i>				
Housing development loans	3,705,362	—	1,687,305	2,018,057
Mortgage financing loans	54,581,214	2,573,515	4,681,833	52,472,896
Upgrading financing loans	119,470	15,206	18,879	115,797
	58,406,046	2,588,721	6,388,017	54,606,750
<i>Bonds</i>				
Principal	4,400,000	1,500,000	1,000,000	4,900,000
Premium/discount on bonds	3,065	—	787	2,278
	4,403,065	1,500,000	1,000,787	4,902,278
<i>Bank loans (unsecured)</i>	840,500	7,299,500	6,438,500	1,701,500
	63,649,611	11,388,221	13,827,304	61,210,528

15. LOANS PAYABLE — (continued)

Interest rates and repayment terms on the loans are:

	<u>Interest rate</u> (per annum)	<u>Repayment term</u>
Housing development loans	4.50%	20 years
Mortgage financing loans	2.50% to 3.62%	Up to 30 years
Upgrading financing loans	2.50%	10 years
Bank loans (unsecured)	3.11% to 3.70%	Up to 1 year

Bonds are issued to finance the HDB's development programme and working capital requirements as well as to refinance its existing housing development loans. The bonds are as follows:

<u>Series no.</u>	<u>Principal</u> S\$M	<u>Coupon rate</u> (per annum)	<u>Maturity</u>
003	300	5.070%	10 years redeemable on 21 September 2009
003 (Re-opened)	300	5.070% (effective interest rate: 4.740%)	Approximately 10 years redeemable on 21 September 2009
005	500	3.520%	7 years redeemable on 13 February 2008
007	250	2.420%	5 years redeemable on 23 February 2009
008	250	3.560%	10 years redeemable on 23 February 2014
009	300	2.520%	5 years redeemable on 3 November 2009
010	500	3.375%	10 years redeemable on 21 April 2015
011	400	2.820%	5 years redeemable on 6 October 2010
012	100	3.200%	10 years redeemable on 12 October 2015
013	400	3.455%	5 years redeemable on 1 March 2011
014	100	3.730%	10 years redeemable on 7 March 2016
015	400	3.805%	5 years redeemable on 14 July 2011
016	100	3.995%	10 years redeemable on 14 July 2016
017	250	3.520%	5 years redeemable on 31 October 2011
018	250	3.622%	10 years redeemable on 18 October 2016
019	250	3.420%	5 years redeemable on 14 February 2012
020	250	3.550%	10 years redeemable on 14 February 2017

The coupon rate is the effective interest rate of the bonds issued by the HDB, except for Series No. 003 (Re-opened).

16. CREDITORS AND OTHER PAYABLES

	<i>HDB</i>		<i>Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Creditors	420,407	493,311	434,922	506,817
Deposits and advances	453,948	420,757	453,948	420,757
Deferred income (Note 17)	71,429	69,253	72,370	70,478
Interest payable	239,676	249,700	239,676	249,700
Provisions	21,044	21,044	23,481	23,563
	<u>1,206,504</u>	<u>1,254,065</u>	<u>1,224,397</u>	<u>1,271,315</u>

Provisions were made for restoration works for the former quarry sites, pending firm development plans by the respective agencies that would be taking over the sites.

The movement of provisions for the HDB and Group is:

	<i>HDB</i>		<i>Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Balance as at 1 April	21,044	21,117	23,563	23,766
Provisions utilised	—	(73)	(82)	(203)
Balance as at 31 March	<u>21,044</u>	<u>21,044</u>	<u>23,481</u>	<u>23,563</u>

17. DEFERRED INCOME

	<i>HDB</i>		<i>Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Within 1 year (Note 16)	71,429	69,253	72,370	70,478
From 1 to 5 years	148,117	134,809	148,117	134,809
More than 5 years	453,321	473,938	453,321	473,938
	<u>601,438</u>	<u>608,747</u>	<u>601,438</u>	<u>608,747</u>
	<u>672,867</u>	<u>678,000</u>	<u>673,808</u>	<u>679,225</u>

Deferred income relates principally to amount received in advance in respect of operating leases of land, commercial and industrial properties (Note 2.20).

18. INCOME

	<i>HDB</i>		<i>Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Interest income	1,479,703	1,531,730	1,479,703	1,531,730
Rental and related income	792,577	797,744	800,652	801,293
Car park charges	386,883	365,272	386,374	364,731
Recoveries for upgrading and others	78,378	119,839	78,378	119,839
Agency and consultancy fees	24,423	25,444	98,405	100,341
Gain on disposal of assets	21,848	79,242	21,851	79,236
Levy on resale flats and sales premium	28,475	45,291	28,475	45,291
Investment income	25,013	25,043	5,589	5,652
Fees and other income	104,246	99,414	104,582	99,724
	<u>2,941,546</u>	<u>3,089,019</u>	<u>3,004,009</u>	<u>3,147,837</u>

Investment income includes dividend income as follows:

	<i>HDB</i>		<i>Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Dividends from				
— Unquoted subsidiary	24,465	24,465	—	—
— Others	—	—	2,339	1,556

19. FINANCIAL EXPENSES

	<i>HDB and Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Interest expense from		
— Government loans	1,562,257	1,682,716
— Bank loans	54,986	36,501
— Bonds	153,035	141,707
	1,770,278	1,860,924
<i>Less:</i>		
Interest capitalised as properties under development (Note 10)	(43,971)	(55,378)
Bond amortisation	(787)	(271)
	<u>1,725,520</u>	<u>1,805,275</u>

20. OPERATING EXPENSES

Operating expenses include the following:

	<i>HDB</i>		<i>Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Upgrading, improvements and demolition	438,915	472,120	436,656	472,120
Depreciation	308,947	347,095	309,369	347,522
Manpower cost	333,451	328,726	385,498	381,524
Property tax	99,690	100,819	99,755	100,881
Impairment losses on property, plant and equipment and investment properties	30,024	765,505	30,054	765,505
Reversal of impairment losses on property, plant and equipment and investment properties	(3,309)	—	(6,271)	—
Provision for loss for properties under development/for sale	194,989	214,129	194,989	214,129
Impairment losses on loans receivable and debtors	26,276	85,054	26,326	85,054
Auditors' remuneration	630	600	662	650
Board members' fees	76	70	76	70
Directors' fees and remuneration	—	—	384	594
Expenses capitalised	(13,086)	(15,340)	(13,086)	(15,340)

20.1 MANPOWER COST

	<i>HDB</i>		<i>Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Salaries and bonuses	292,648	275,885	338,417	321,932
Contribution to CPF	28,280	28,946	33,693	34,073
Staff benefits	6,711	7,137	7,420	8,426
Training/development costs and others	5,812	5,395	5,968	5,730
Termination benefits	—	11,363	—	11,363
	<u>333,451</u>	<u>328,726</u>	<u>385,498</u>	<u>381,524</u>

Termination benefits comprise payments to staff affected by the outsource of car park enforcement operation in August 2005.

Manpower cost includes the key management personnel's remuneration as follows:

	<i>HDB</i>		<i>Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Salaries and other short-term employee benefits	<u>4,675</u>	<u>4,434</u>	<u>5,059</u>	<u>5,028</u>

21. OTHER EXPENSES

Other expenses comprise CPF housing grant disbursed to eligible citizens for the purchase of flats in accordance with approved public housing policy of the Government.

22. GOVERNMENT GRANT

Cumulative grant from the Government since the establishment of the HDB in 1960 amounts to:

	2006/2007	2005/2006
	S\$'000	S\$'000
Total grant as at 1 April	15,246,807	14,492,112
Grant for Financial Year	745,824	754,695
Total grant as at 31 March	<u>15,992,631</u>	<u>15,246,807</u>

23. SIGNIFICANT RELATED PARTY TRANSACTIONS

The HDB is a statutory body incorporated under the Housing and Development Act (Note 1). As a statutory board, all Government ministries and departments, and statutory boards are deemed related parties of the HDB.

The Group had the following significant transactions with its supervisory Ministry, MND, and other related parties during the year:

	2006/2007	2005/2006
	S\$'000	S\$'000
<i>HDB's transactions with:</i>		
<i>Subsidiaries</i>		
— Property management	(467)	(1,455)
— Telemonitoring management, mechanical and electrical services	(2,910)	(1,513)
— Other services	(513)	(758)
— Rental income	3,298	615
— Sale of parking labels	509	541
<i>MND</i>		
— Agency fee income	10,025	10,963
— Consultancy, surveying and project management fee income	3,201	10,347
<i>Singapore Land Authority</i>		
— Purchase of land	(549,805)	(279,793)
— Proceeds from return of land, flats and other properties to Government	41,617	126,589
— Agency fees and other income	2,361	3,587
<i>NEA</i>		
— Agency fees and recoveries	25,543	28,119
<i>Other Ministries and Statutory Boards</i>		
— Agency fees, recoveries and others	1,612	1,700
— Rental income	1,458	1,404
— Proceeds from sale of property	—	13,000

23. SIGNIFICANT RELATED PARTY TRANSACTIONS — *(continued)*

	2006/2007	2005/2006
	S\$'000	S\$'000
<i>Town Councils</i>		
— Operating fee for car park maintenance expenses	(32,112)	(32,041)
<i>Subsidiaries' transactions with:</i>		
<i>Town Councils and Statutory Boards</i>		
— Estate management agency fee income	72,797	73,502
<i>Net amounts due to related parties as at 31 March</i>	28,971	25,319

The outstanding amounts are unsecured. There are no guarantees provided or received in respect of the related party balances. For FY 2006/2007, the Group has not made any allowance for impairment relating to amounts owed by related parties (FY 2005/2006: Nil).

24. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to interest rate risk, credit risk and liquidity risk.

The HDB's exposure to market risk for changes in interest rate relates primarily to the government loans. The HDB manages its interest rate exposure by largely matching the terms of the government loans with that of the loans receivables. The HDB uses various sources of funding to manage interest costs. In addition to government loans, the HDB also accesses the capital market and financial institutions for its funding requirements. The bank loans (unsecured) are short-term in nature and any future variation in interest rates will not have a material impact on the results of the Group. Information relating to the Group's interest rate exposure is disclosed in Note 15 on the loans payable.

The Group's loans receivables comprise largely mortgage loans to purchasers of flats under public housing schemes. Policies on loan quantum and credit assessment are in place for the granting of mortgage loans to flat buyers and the flats are taken as collateral. An allowance for impairment is made in respect of non-performing mortgage loans of which the collateral held is insufficient to discharge the outstanding mortgage loan. The allowance represents the aggregate amount by which management considers it necessary to write down its mortgage loan in order to state it in the Balance Sheet at its estimated net realisable value (Note 4).

The Group is of the view that there is no liquidity risk as the Group monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations. Funding is also made available through an adequate amount of committed credit facilities. The MOF will act as the lender of last resort to the HDB for its funding requirements.

25. SEGMENTAL INFORMATION

BUSINESS SEGMENTS

The Group operates predominantly in Singapore, and therefore the revenues are generated mainly from the operations in Singapore and the assets are located principally in Singapore.

The Group's results are presented under seven business segments in respect of the Group's main activities and the government programmes implemented:

Home Ownership

Home ownership focuses on providing home ownership flats to eligible purchasers of flats under the various home ownership schemes for public housing.

Upgrading

Upgrading focus on the upgrading programmes to renew and rejuvenate the older HDB estates.

Residential Ancillary Functions

Residential ancillary functions focus on implementing housing policies, managing ancillary facilities such as car parks in housing estates, and planning and building administration.

Rental Flats

Rental flats focus on providing rental flats to eligible tenants under the various rental housing schemes.

Other Rental and Related Businesses

Other rental and related businesses focus on the tenancy and management of investment properties and other properties owned by the HDB.

Mortgage Financing

Mortgage financing focus on providing housing loans to eligible purchasers of flats under public housing schemes.

Agency and Others

Agency and others encompass estate management services, architectural and engineering consultancy services, strategic building resource management and agency projects on behalf of the Government.

25. SEGMENTAL INFORMATION — (continued)

FY 2006/2007

	<i>Home Ownership</i>	<i>Upgrading</i>	<i>Residential Ancillary Functions</i>	<i>Rental Flats</i>	<i>Other Rental and Related Businesses</i>	<i>Mortgage Financing</i>	<i>Agency and Others</i>	<i>Eliminations</i>	<i>Group</i>
	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>
Sale proceeds	1,117	—	88	—	—	—	7	—	1,212
Cost of sales	(1,081)	—	(82)	—	—	—	(2)	4	(1,161)
Gross profit on sales	36	—	6	—	—	—	5	4	51
Income									
— External	38	57	423	21	852	1,494	119	—	3,004
— Inter-segment	1	—	6	—	16	—	28	(51)	—
Total income	39	57	429	21	868	1,494	147	(51)	3,004
Segment result	(576)	(353)	(159)	(65)	381	1	45	(25)	(751)
Government grant									746
Taxation									(4)
Minority interests									(2)
Net deficit									<u>(11)</u>

25. SEGMENTAL INFORMATION — (continued)

FY 2006/2007

	<i>Home Ownership</i>	<i>Upgrading</i>	<i>Residential Ancillary Functions</i>	<i>Rental Flats</i>	<i>Other Rental and Related Businesses</i>	<i>Mortgage Financing</i>	<i>Agency and Others</i>	<i>Eliminations</i>	<i>Group</i>
	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>
Other segment items									
Depreciation	(2)	—	(131)	(39)	(128)	—	(9)	—	(309)
Impairment losses on property, plant and equipment and investment properties	—	—	—	—	(30)	—	—	—	(30)
Reversal of impairment losses on property, plant and equipment and investment properties	—	—	—	—	3	—	3	—	6
CPF housing grant	(311)	—	—	—	—	—	—	—	(311)
Provision for loss for properties under development/for sale	(195)	—	—	—	—	—	—	—	(195)
Upgrading and improvements	—	(351)	(37)	(13)	(15)	—	—	2	(414)
Impairment losses on loans receivable and debtors	—	—	—	(1)	(6)	(19)	—	—	(26)
Investment properties:									
— Rental and related income	—	—	—	—	414	—	—	—	414
— Operating expenses	—	—	—	—	(252)	—	—	—	(252)
Segment assets	4,329	231	9,160	2,503	8,109	52,284	773	—	77,389
Unallocated assets									73
Total assets									77,462
Segment liabilities	2,448	194	3,645	10	3,593	52,629	404	—	62,923
Unallocated liabilities									213
Total liabilities									63,136
Capital additions	5	—	67	—	67	—	3	—	142

25. SEGMENTAL INFORMATION — *(continued)*

FY 2005/2006

	<i>Home Ownership</i>	<i>Upgrading</i>	<i>Residential Ancillary Functions</i>	<i>Rental Flats</i>	<i>Other Rental and Related Businesses</i>	<i>Mortgage Financing</i>	<i>Agency and Others</i>	<i>Eliminations</i>	<i>Group</i>
	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>
Sale proceeds	2,168	—	101	—	2	—	—	—	2,271
Cost of sales	(2,040)	—	(99)	—	(1)	—	—	6	(2,134)
Gross profit on sales	128	—	2	—	1	—	—	6	137
Income									
— External	56	95	397	19	927	1,543	111	—	3,148
— Inter-segment	—	—	9	—	15	—	28	(52)	—
Total income	56	95	406	19	942	1,543	139	(52)	3,148
Segment result	(454)	(306)	(236)	(71)	(316)	(51)	42	(25)	(1,417)
Government grant									755
Taxation									(2)
Minority interests									(3)
Net deficit									<u>(667)</u>

25. SEGMENTAL INFORMATION — (continued)

FY 2005/2006

	<i>Home Ownership</i>	<i>Upgrading</i>	<i>Residential Ancillary Functions</i>	<i>Rental Flats</i>	<i>Other Rental and Related Businesses</i>	<i>Mortgage Financing</i>	<i>Agency and Others</i>	<i>Eliminations</i>	<i>Group</i>
	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>
Other segment items									
Depreciation	(2)	—	(145)	(44)	(147)	—	(10)	—	(348)
Impairment losses on property, plant and equipment and investment properties	—	—	—	—	(766)	—	—	—	(766)
CPF housing grant	(274)	—	—	—	—	—	—	—	(274)
Provision for loss for properties under development/for sale	(214)	—	—	—	—	—	—	—	(214)
Upgrading and improvements	—	(359)	(39)	(6)	(33)	—	—	—	(437)
Impairment losses on loans receivable and debtors	—	—	—	(1)	(5)	(79)	—	—	(85)
Termination benefits	—	—	(11)	—	—	—	—	—	(11)
Investment properties:									
— Rental and related income	—	—	—	—	426	—	—	—	426
— Operating expenses	—	—	—	—	(998)	—	—	—	(998)
Segment assets	4,531	227	9,090	2,611	8,172	54,602	614	—	79,847
Unallocated assets									74
Total assets									<u>79,921</u>
Segment liabilities	3,053	195	3,635	6	3,450	54,736	317	—	65,392
Unallocated liabilities									153
Total liabilities									<u>65,545</u>
Capital additions	8	—	115	—	76	—	4	—	203

26. COMMITMENTS FOR CAPITAL EXPENDITURE

The following commitments for capital expenditure are not provided for in the financial statements:

	<i>HDB</i>		<i>Group</i>	
	<i>2006/2007</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2005/2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Authorised and contracted for	1,139,961	1,284,073	1,146,604	1,287,226
Authorised but not contracted for	942,154	1,040,468	942,154	1,040,468
	<u>2,082,115</u>	<u>2,324,541</u>	<u>2,088,758</u>	<u>2,327,694</u>

27. CONTINGENT LIABILITIES

MODIFICATION WORK

A claim involving rebar works for structural columns for S\$2.4 million had been made by a contractor in FY 2005/2006. The matter had proceeded to arbitration. Based on the legal advice and information presently available, the HDB believes that the claim will not succeed and accordingly, no provision has been made in respect of the claim.

BANKERS' GUARANTEE

At balance sheet date, contingent liabilities of the subsidiary not provided for in the financial statements in respect of bankers' guarantees issued to third parties amounted to S\$17.8 million (FY 2005/2006: S\$15.6 million).

28. COMPARATIVE FIGURES

The carrying amount of assets of S\$101.7 million as at 31 March 2006 previously reported under property, plant and equipment was reclassified to investment property. The associated asset revaluation reserve of S\$3.5 million was reclassified to capital gains reserve. The reclassification had been made on the comparative figures to reflect the nature of the balances.